

ENSURING OPEN LOCAL MARKETS

VII. Carrier Interconnection Performance Plan (Including Performance Measurements)

23. To help ensure that SBC/Ameritech provide telecommunications carriers with high quality service, SBC/Ameritech shall implement 20 performance measurements in the 13-state SBC/Ameritech Service Area and implement a plan to make voluntary payments of up to \$1.125 billion over 3 years if it fails to provide high quality service to its wholesale customers. In the SBC/Ameritech Service Area, SBC/Ameritech shall implement the Carrier Interconnection Performance Plan ("the Plan") described herein and in Attachment A. The Plan has two elements. First, it requires SBC/Ameritech to report, on a monthly basis and in each of the SBC/Ameritech States, its performance in 20 measurement categories (with sub-measurements) that address functions that may have a particularly direct effect on SBC/Ameritech's local competitors and their customers. This information will be made available on an Internet website and will provide the Commission, state commissions, and carriers new tools to verify and benchmark SBC/Ameritech's retail and wholesale performance. Second, the Plan obligates SBC/Ameritech to make voluntary payments of up to \$1.125 billion dollars over 3 years to the U.S. Treasury based on SBC/Ameritech's performance in the 20 measurement categories. These payments, which may reach as much as \$250 million in the first year, \$375 million in the second year, and \$500 million in the third year, will provide SBC/Ameritech a strong additional incentive to furnish high-quality facilities and services to local entrants, in a timely manner. It does not, however, limit the authority of any State to adopt additional or different state performance monitoring requirements or associated remedies.

24. The Plan shall be effective for the SBC/Ameritech Service Area within each SBC/Ameritech State, except for Connecticut, until the earlier of (i) 36 months after the date that SBC/Ameritech is first potentially obligated to make Plan payments for that State, or (ii) the first date on which SBC/Ameritech is authorized to provide in-region, interLATA services in that State pursuant to 47 U.S.C. § 271(d)(3). The Plan shall be effective for the SNET Service Area within Connecticut for 36 months after the date that SBC/Ameritech is first potentially obligated to make Plan payments in Connecticut. Not later than 10 business days after the relevant deadlines under this Section VII, SBC/Ameritech shall file with the Secretary of the Commission notices regarding its satisfaction of the deadlines listed below.

a. In the SBC/Ameritech Service Area within Arkansas, Kansas, Missouri, Oklahoma, and Texas, SBC/Ameritech shall implement the performance measurements shown on Attachments A-2a and A-5, and provide the Commission with 2 months of performance data on these measures, by November 1, 1999. For the SBC/Ameritech Service Area within California and Nevada, SBC/Ameritech shall implement the performance measurements shown in Attachments A-2b and A-5 using the California business rules described in Attachment A-2b, and provide 2 months of performance data on these measures, by the first day of the first month that begins more than 30 days after the Merger Closing Date. The obligation to make voluntary payments to the U.S. Treasury, as set forth in the Plan, shall attach 270 days after the Merger Closing Date within the SBC/Ameritech Service Area within these 7 SBC States.

b. In the SBC/Ameritech Service Area within Connecticut, SBC/Ameritech shall implement the performance measurements and provide 2 months of performance data no

later than 12 months after the Merger Closing Date, and the obligation to make voluntary payments to the U.S. Treasury within the SBC/Ameritech Service Area within Connecticut, as set forth in the Plan, shall attach 15 months after the Merger Closing Date.

c. In the SBC/Ameritech Service Area within the Ameritech States, SBC/Ameritech shall implement performance measurements 2, 3, 8-11, 14, 15, 17, 19, and 20, as shown on Attachments A-2a and A-5, and provide 2 months of performance data on these measures, no later than 90 days after the Merger Closing Date. In the SBC/Ameritech Service Area within the Ameritech States, SBC/Ameritech shall implement performance measurements 1, 4-7, 12, 13, 16, and 18, as shown on Attachments A-2a and A-5, and provide 2 months of performance data on these measures, no later than 150 days after the Merger Closing Date. In the SBC/Ameritech Service Area within the Ameritech States, the obligation to make voluntary payments to the U.S. Treasury, as set forth in the Plan, shall attach 270 days after the Merger Closing Date.

VIII. Uniform and Enhanced OSS

25. To assist CLECs operating in one or more SBC/Ameritech States, SBC/Ameritech has agreed to develop and deploy uniform, electrical Operations Support Systems ("OSS") throughout 13-state SBC/Ameritech Service Area. No later than the Merger Closing Date, SBC/Ameritech shall provide the Commission an OSS Process Improvement Plan identifying and assessing SBC's and Ameritech's existing OSS and generally identifying the OSS changes that are needed to implement SBC/Ameritech's OSS commitments identified in this Section. The commitments in this Section are intended to facilitate local services competition (including local Advanced Services competition) in the SBC/Ameritech Service Area by providing entrants additional and more economical options for accessing SBC/Ameritech's OSS on a nondiscriminatory basis as compared to SBC/Ameritech's retail operations, and by encouraging constructive participation by local entrants in the development of SBC/Ameritech systems used by those local entrants.

26. Within 24 months after the Merger Closing Date (assuming the duration of Phase 2 described in Paragraph 28 below is no longer than 30 days), SBC/Ameritech shall develop and deploy in the SBC/Ameritech Service Area, except for the SBC/Ameritech Service Area within Connecticut, commercially ready, uniform application-to-application interfaces using standards and guidelines as defined, adopted, and periodically updated by the Alliance For Telecommunications Industry Solutions ("ATIS") for OSS, e.g., Electronic Data Interchange ("EDI") and Electronic Bonding Interface ("EBI") that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing of resold local services, unbundled network elements ("UNEs") that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall deploy these same interfaces in the SBC/Ameritech Service Area within Connecticut within 30 months of the Merger Closing Date (assuming the duration of Phase 2 described in Paragraph 28 below is no longer than 30 days). For purposes of these Conditions, "uniform interfaces" means interfaces that present telecommunications carriers that are users of the interfaces with the same version(s) of industry standards, data formatting specifications, and transport and security specifications. It is understood that telecommunications carriers will be able to use the same uniform interface(s)

throughout the SBC/Ameritech Service Area only after SBC/Ameritech completes development and deployment of a software solution or uniform business rules consistent with Paragraph 30.

27. Within 24 months after the Merger Closing Date (assuming the duration of Phase 2 described in Paragraph 28 below is no longer than 30 days), SBC/Ameritech shall develop and deploy in the SBC/Ameritech Service Area, except for the SBC/Ameritech Service Area within Connecticut, uniform graphical user interfaces for OSS (e.g., like SBC's toolbar interface) that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing for resold local services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall deploy these same interfaces in the SBC/Ameritech Service Area within Connecticut within 30 months of the Merger Closing Date (assuming the duration of Phase 2 described in Paragraph 28 below is no longer than 30 days).

28. Milestones applicable to the development and deployment of uniform application-to-application interfaces and graphical user interfaces are as follows:

a. Phase 1 – SBC/Ameritech shall complete a publicly available Plan of Record, which shall consist of an overall assessment of SBC's and Ameritech's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying uniform application-to-application interfaces and graphical user interfaces for OSS. The target date for completion of Phase 1 is 150 days after the Merger Closing Date. No later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$10,000 per business day per State in voluntary payments to the U.S. Treasury if the Chief of the Common Carrier Bureau determines in writing (after any appeals to the Commission, which may be taken) that SBC/Ameritech has failed to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph by the target date in any SBC/Ameritech State. Voluntary payments for all SBC/Ameritech States shall not exceed total of \$100,000 per business day for a failure to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph. The pendency of proceedings under this Subparagraph shall not delay the commencement of Phase 2 after the target date for Phase 1.

b. Phase 2 – SBC/Ameritech shall work collaboratively with CLECs, in a single series of workshop sessions (in multiple locations, if necessary), to obtain written agreement on OSS interfaces, enhancements, business requirements identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule. The target date for completion of Phase 2 is 30 days after the target date for completion of Phase 1 if there is a written agreement, or 90 days after the target date for completion of Phase 1 if Phase 2 issues are sent to an arbitrator for resolution. Successful completion of Phase 2 is dependent upon the full cooperation of all participants in consummating a written agreement with SBC/Ameritech on the work to be done. The Chief of the Common Carrier Bureau shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement within 30 days after the start of Phase 2, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If

SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 30 days after the start of Phase 2, SBC/Ameritech shall and participating CLECs may notify the Chief of the Common Carrier Bureau and submit a list of the remaining unresolved issues in dispute, and SBC/Ameritech shall submit a plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS that incorporates what was agreed upon with the CLECs in the workshop sessions. The Chief of the Common Carrier Bureau shall (a) direct SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS in its entirety, (b) authorize SBC/Ameritech and the CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration, or (c) extend the collaborative period to continue efforts to obtain a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop do not reach a written agreement in Phase 2, in no event shall work begin in Phase 3 until (a) SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS as proposed by SBC/Ameritech in its entirety, or (b) SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. Each party to the arbitration shall pay its own costs. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs.

c. Phase 3 – SBC/Ameritech shall develop and deploy, using a phased-in approach, system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2 or the arbitrator's decision in Phase 2.

(1) To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with Paragraph 32, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 18 months after completion of Phase 2, with the exception of the SBC/Ameritech Service Area within Connecticut where the target date shall be 24 months after completion of Phase 2. The target dates in Phase 3 shall begin to run on the date the plan for Phase 3 is finalized, which may be the date of execution of the written agreement in Phase 2, the date on which the Chief of the Common Carrier Bureau directs SBC/Ameritech in writing to implement SBC/Ameritech's plan in its entirety, or the effective date of a final decision by the arbitrator in Phase 2 resolving all outstanding issues, whichever date is applicable. Within 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission.

(2) If a CLEC contends that SBC/Ameritech has not developed and deployed system interfaces, enhancements, and business requirements in substantial compliance with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, it may notify the Chief of the Common Carrier Bureau and request consolidated binding arbitration. Thereafter, the Chief of the Common Carrier Bureau may require SBC/Ameritech and the CLEC(s) to submit to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines in writing that arbitration is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. Each party to the arbitration shall pay its own costs. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs. If the arbitrator determines that SBC/Ameritech has not developed and deployed system interfaces, enhancements, and business requirements in substantial compliance with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, SBC/Ameritech shall pay up to an amount of \$10,000 per business day per State in voluntary payments to the U.S. Treasury, as determined by the arbitrator. Voluntary payments shall not exceed a total of \$100,000 per business day for all SBC/Ameritech States.

(3) Voluntary payments of up to \$10,000 per business day per State shall be due only with respect to time periods during which SBC/Ameritech is in non-compliance and that are one or more of the following: (i) a period for which SBC/Ameritech acknowledges a failure to meet the relevant target date; (ii) within the first 3 business days after the relevant missed target date; or (iii) between the date on which the arbitrator has issued a final decision that SBC/Ameritech is in non-compliance and the date on which SBC/Ameritech files a notice with the Chief of the Common Carrier Bureau that it has corrected that non-compliance. In addition, if the arbitrator finds in writing that SBC/Ameritech intentionally and willfully failed to comply with the relevant requirement(s), and the Chief of the Common Carrier Bureau concurs in writing with such a finding, SBC/Ameritech shall make an additional payment of up to \$100,000, as determined by the arbitrator, for each business day that SBC/Ameritech was not in compliance. SBC/Ameritech shall have the right to appeal any such finding to the Commission.

e. Notwithstanding anything else in these Conditions, the total of all voluntary payments relating to any or all milestones established under this Paragraph shall not exceed \$20 million.

29. For a period of 30 months after the Merger Closing Date, SBC/Ameritech shall offer to develop in the SBC/Ameritech Service Area, direct access to SBC's SORD system and to Ameritech's and SNET's equivalent service order processing system for resold local services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that

are required by this Appendix; provided, however, that a CLEC requesting such direct access enters into a written contract wherein SBC/Ameritech and the CLEC agree to (i) the precise nature of the SORD (or the Ameritech or SNET equivalent service order processing system) functions that shall be provided by SBC/Ameritech, (ii) a timetable for deployment of direct access to such functions, which shall not exceed 18 months from the date of execution of the contract; and (iii) a timetable for delivery of training on how to use such functions. If more than one CLEC requests direct access to the same SORD (or Ameritech or SNET equivalent service order processing system) function, each CLEC entering into a written contract to obtain such direct access will pay its proportionate share of the costs associated with developing direct access to such SORD (or the Ameritech or SNET equivalent service order processing system) function based upon the number of CLECs requesting direct access to the same function. If a CLEC requests direct access to a SORD (or the Ameritech or SNET equivalent service order processing system) function that has already been developed for other CLECs, SBC/Ameritech shall provide that direct access at no charge. SBC/Ameritech shall develop and pay for a training package, and the CLEC shall pay for the costs of delivery of the training.

30. SBC/Ameritech shall offer to develop and deploy in the SBC/Ameritech Service Area, in advance of industry standards, enhancements to the existing EBI interface for OSS that support maintenance/repair of resold local services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix; provided, however, that a telecommunications carrier requesting such enhancements enters into a written contract wherein (i) SBC/Ameritech and the requesting telecommunications carrier agree to the precise nature of the enhancement(s), and (ii) the requesting telecommunications carrier agrees to pay SBC/Ameritech for the costs of development. This offer shall be made available for a period of 30 months after the Merger Closing Date. SBC/Ameritech shall develop and deploy the enhancements contracted for within 12 months of an executed contract. In the case of the SBC/Ameritech Service Area within the Ameritech States and Connecticut, this interface shall be provided in conjunction with the introduction of the EBI interface described in Paragraph 26 above, or within 12 months of a completed contract, whichever is later. In the event an enhancement to the existing EBI interface contracted for by a telecommunications carrier becomes an industry standard, without any changes or modifications, within 12 months of deployment by SBC/Ameritech, SBC/Ameritech shall provide the telecommunications carrier a refund of the money the telecommunications carrier has paid SBC/Ameritech for the development and deployment of the enhancement.

31. Within 30 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 30 days) SBC/Ameritech shall develop jointly with CLECs, and deploy throughout the SBC/Ameritech Service Areas, either (i) a software solution that shall ensure that CLEC-submitted local service requests are consistent with SBC/Ameritech's business rules, or (ii) uniform business rules for completing CLEC local service requests, excluding those differences caused by state regulatory requirements and product definitions. Milestones applicable to the development and deployment of a software solution or uniform business rules are as follows:

a. Phase 1 – SBC/Ameritech shall complete a publicly available Plan of Record, which shall consist of an assessment of SBC/Ameritech business rules and SBC/Ameritech's plan for developing and deploying a software solution or uniform business

rules. The target date for completion of Phase 1 is 150 days after completion of Phase 2 of the development of both uniform application-to-application and graphical user interfaces for OSS, as described in Paragraph 28. No later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$10,000 per business day per State in voluntary payments to the U.S. Treasury if the Chief of the Common Carrier Bureau determines in writing (after any appeals to the Commission, which may be taken) that SBC/Ameritech has failed to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph by the target date in any SBC/Ameritech State. Voluntary payments for all SBC/Ameritech States shall not exceed total of \$100,000 per business day for a failure to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph by the target date. The pendency of proceedings under this Subparagraph shall not delay the commencement of Phase 2 after the target date for Phase 1.

b. Phase 2 – SBC/Ameritech shall work collaboratively with the CLECs operating in the SBC/Ameritech Service Area, in a single series of workshop sessions (in multiple locations, if necessary), to obtain a written agreement on a software solution or business rule changes identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of deployment. The target date for completion of Phase 2 is 30 days after the target date for completion of Phase 1 if there is a written agreement, or 90 days after the target date for completion of Phase 1 if Phase 2 issues are sent to an arbitrator for resolution. Successful completion of Phase 2 is dependent upon the full cooperation of all participants in consummating a written agreement with SBC/Ameritech on the work to be done. The Chief of the Common Carrier Bureau shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 30 days after the start of Phase 2, SBC/Ameritech shall and participating CLECs may notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau a list of the remaining unresolved issues in dispute, and SBC/Ameritech shall submit to the Chief of the Common Carrier Bureau a plan for development and deployment of either a software solution or business rule changes that incorporates what was agreed upon with the CLECs in the workshop sessions. The Chief of the Common Carrier Bureau shall (a) direct SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of either a software solution or uniform business rules in its entirety, (b) authorize SBC/Ameritech and one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration, or (c) extend the collaborative period to continue efforts to obtain a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop do not reach a written agreement in Phase 2, in no event shall work begin in Phase 3 until SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of either a software solution or uniform business rules as proposed by SBC/Ameritech in its entirety, or SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier

Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs.

c. Phase 3 – SBC/Ameritech shall develop and deploy, using a phased-in approach, the software solution or business rule changes agreed upon in Phase 2 or ordered by the arbitrator in Phase 2.

(1) To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with Paragraph 32, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 18 months after completion of Phase 2. The target dates in Phase 3 shall begin to run on the date the plan for Phase 3 is finalized, which may be the date of execution of the written agreement in Phase 2, the date on which the Chief of the Common Carrier Bureau directs SBC/Ameritech in writing to implement SBC/Ameritech's plan in its entirety, or the effective date of a final decision by the arbitrator in Phase 2 resolving all outstanding issues, whichever date is applicable. Within 3 business days of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission.

(2) If a CLEC contends that SBC/Ameritech has not developed and deployed the software solution or business rule changes in substantial compliance with what was agreed upon in Phase 2 or ordered by the arbitrator in Phase 2, it may notify the Chief of the Common Carrier Bureau and request consolidated binding arbitration. Thereafter, the Chief of the Common Carrier Bureau may require SBC/Ameritech and the CLEC(s) to submit to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines in writing that arbitration is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. Each party to the arbitration shall pay its own costs. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs. If the arbitrator determines that SBC/Ameritech has not developed and deployed the software solution or business rule changes in substantial compliance with what was agreed upon in Phase 2 or ordered by the arbitrator in Phase 2, SBC/Ameritech shall pay up to \$10,000 per business day per State in voluntary payments to the U.S. Treasury, as determined by the Arbitrator. Voluntary payments shall not exceed a total of \$100,000 per business day for all SBC/Ameritech States.

(3) Voluntary payments of up to \$10,000 per business day per State shall be due only with respect to time periods during which SBC/Ameritech is in non-compliance and that are one or more of the following: (i) a period for which SBC/Ameritech acknowledges a failure to meet the relevant target date; (ii) within the first 3 business days after the relevant missed target date; or (iii) between the date on which the arbitrator has issued a final decision that SBC/Ameritech is in non-compliance and the date on which SBC/Ameritech files a notice with the Chief of the Common Carrier Bureau that it has corrected that non-compliance. In addition, if the arbitrator finds in writing that SBC/Ameritech intentionally and willfully failed to comply with the relevant requirement(s), and the Chief of the Common Carrier Bureau concurs in writing with such a finding, SBC/Ameritech shall make an additional payment of up to \$100,000, as determined by the arbitrator, for each business day that SBC/Ameritech was not in compliance. SBC/Ameritech shall have the right to appeal any such finding to the Commission.

e. Notwithstanding anything else in these Conditions, the total of all voluntary payments relating to any or all milestones established under this Paragraph shall not exceed \$20 million.

32. Within 30 days after the Merger Closing Date, SBC/Ameritech shall begin to negotiate with interested CLECs a uniform change management process for implementation in the SBC/Ameritech Service Area. Subject to arbitration, the resulting change management process shall be developed and offered to state commissions for their acceptance and approval, within 12 months after the commencement of negotiations. Also within 12 months after the commencement of negotiations, SBC/Ameritech shall implement those aspects of the uniform change management process that are consistent with state commission rulings, agreed-to with the CLEC participants, and feasible. For purposes of this Paragraph, "change management process" means the documented process that SBC/Ameritech and the CLECs follow to facilitate communication about OSS changes, new interfaces and retirement of old interfaces, as well as the implementation timeframes; which includes such provisions as a 12-month developmental view, release announcements, comments and reply cycles, joint testing processes and regularly scheduled change management meetings. SBC/Ameritech shall offer to include in its interconnection agreements with CLECs a commitment to follow the uniform change management process agreed upon with interested CLECs. In the event that CLECs doing business with SBC/Ameritech in different States are unable to agree on certain components of a uniform change management process, SBC/Ameritech shall implement those components of the uniform change management process that are agreed-to with the CLEC participants where feasible, and SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau SBC/Ameritech's plan for a uniform change management process in its entirety and a list of the components of the change management process that are in dispute. The Chief of the Common Carrier Bureau shall (a) direct SBC/Ameritech to implement SBC/Ameritech's proposed plan for a uniform change management process in its entirety, or (b) authorize SBC/Ameritech and one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration, or (c) extend the collaborative period to continue efforts to obtain an agreement. CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration if the Chief of the Common Carrier Bureau determines in writing that arbitration is appropriate

and in the public interest. Any disputes between SBC/Ameritech and the CLECs arising out of or relating to the negotiation of a uniform change management control process shall be decided in a consolidated binding arbitration by an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs.

33. Within the SBC/Ameritech Service Area, SBC/Ameritech shall provide unaffiliated telecommunications carriers with access to the OSS enhancements and additional interfaces required by Paragraphs 26, 27, 29, and 30 of these Conditions for not less than 36 months after they are deployed.

34. Payments made to the U.S. Treasury in connection with the above OSS enhancements and additional interfaces shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

IX. Restructuring OSS Charges

35. SBC/Ameritech shall restructure its OSS charges by eliminating in the SBC/Ameritech Service Area, on a going-forward basis, flat-rate monthly charges for access to the Remote Access Facility and the Information Services Call Center. The intent of this Paragraph is to eliminate the flat-rate monthly charges (amounting to approximately \$3600 per month per CLEC per State) that SBC charged CLECs prior to the Merger Closing Date. For orders of 30 lines or less where SBC/Ameritech does not make an electronic interface available to submit the order to SBC/Ameritech, SBC/Ameritech also shall eliminate in the SBC/Ameritech Service Area, on a going-forward basis, any extra manual processing charges associated with processing such a manual order in excess of the charges that apply for processing similar orders submitted electronically. SBC/Ameritech shall eliminate any such charges, in the SBC/Ameritech Service Area within all States where they are applied, starting with the first billing cycle that begins after the Merger Closing Date. This Paragraph does not limit SBC/Ameritech's right to charge telecommunications carriers for the cost of processing service orders received by electronic or non-electronic means, whether on an electronic or non-electronic basis; to charge telecommunications carriers for the cost of providing loop make-up information as described in Paragraph 20, or to recover the costs of developing and providing OSS to telecommunications carriers through the pricing of UNEs or resold services, in accordance with applicable federal and state pricing requirements.

X. OSS Assistance to Small CLECs

36. Within the SBC/Ameritech Service Area, SBC/Ameritech shall adopt measures for assisting Small CLECs in using SBC/Ameritech's OSS, as follows:

a. The term "Small CLEC" means any CLEC that, when combined with all of the CLEC's affiliates, including its parents and subsidiaries, and the CLEC's joint ventures that provide telecommunications services, has less than \$300 million in total annual telecommunications revenues, excluding revenues from wireless services, as reported to the Securities and Exchange Commission or in other documents mutually agreeable to such CLEC and SBC/Ameritech. The CLEC may certify its status as a Small CLEC to SBC/Ameritech. Disputes relating to the status of an entity as a Small CLEC may be resolved by the appropriate state commission(s).

b. Within 30 days following the Merger Closing Date, SBC/Ameritech shall designate and make available one or more teams of a sufficient number of OSS experts dedicated and empowered to assist Small CLECs with OSS issues, provided that such Small CLECs have contracted for OSS in their interconnection agreements with SBC/Ameritech and have attended any OSS training required by their interconnection agreements. Each team shall be available to provide further training and assistance, not including the provision of any telecommunications service, to such CLECs at no additional cost for a minimum of 36 months following the designation of the team. A Small CLEC may request reasonable changes, expansion, and/or reduction in the composition of such a team. Within 60 days following the Merger Closing Date, SBC/Ameritech shall provide notice of the availability of these teams to all Small CLECs certificated and operating in the SBC/Ameritech Service Area.

c. Within 90 days following the Merger Closing Date, SBC/Ameritech shall identify and discuss in one or more CLEC forums training and procedures that would be beneficial to Small CLECs operating in the SBC/Ameritech Service Areas. Within 120 days following the Merger Closing Date, SBC/Ameritech shall provide notice of such training and procedures to all Small CLECs certificated and operating in the SBC/Ameritech Service Area.

XI. Collocation Compliance

37. SBC/Ameritech will implement a number of measures to ensure that it provides collocation to telecommunications carriers in a lawful and timely manner. In the SBC/Ameritech Service Area, SBC/Ameritech shall provide collocation consistent with the Commission's First Report and Order in CC Docket No. 98-147, FCC No. 99-48 (released March 31, 1999) ("Collocation and Advanced Services Order").

38. Prior to the Merger Closing Date, SBC and Ameritech shall, in each of the SBC/Ameritech States, have filed a collocation tariff and/or offered amendments containing standard terms and conditions for collocation for inclusion in interconnection agreements under 47 U.S.C. § 252. Such tariffs and/or amendments shall contain all rates, terms, and conditions necessary to bring SBC/Ameritech's provision of collocation into compliance with the Commission's governing rules.

39. Prior to the Merger Closing Date, Ameritech and SBC shall retain one or more independent auditors acceptable to the Commission to perform an examination engagement and issue an attestation report resulting in a positive opinion (with exceptions noted) regarding whether the terms and conditions offered in tariffs and amendments to interconnection agreements, and the methods and procedures put in place by SBC and Ameritech to implement

those terms and conditions, comply with the collocation requirements contained in the Collocation and Advanced Services Order. The engagement shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the American Institute of Certified Public Accountants ("AICPA"). The attestation report shall be in substantially the form provided as Attachment B and shall be filed with the Secretary of the Commission, for the public record, no later than 10 days after the Merger Closing Date. The Commission shall have access to working papers and supporting materials of the independent auditor, as provided below in Paragraph 40g.

40. Prior to the Merger Closing Date, Ameritech and SBC shall propose to the Chief of the Common Carrier Bureau an independent auditor to perform an examination engagement and issue an attestation report resulting in a positive opinion (with exceptions noted) regarding SBC/Ameritech's compliance with the Commission's collocation requirements, including but not limited to the Collocation and Advanced Services Order, for the first 240 days after the Merger Closing Date. The audit required by this Paragraph shall be in lieu of any other audit of SBC/Ameritech's compliance with the Commission's collocation requirements during the first 12 months after the Merger Closing Date that otherwise would be required under these Conditions. The independent auditor shall be acceptable to the Chief of the Common Carrier Bureau and shall not have been instrumental during the past 24 months in designing substantially all of the systems and processes under review in the audit, viewed as a whole. The engagement shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the AICPA. SBC/Ameritech shall engage the auditor within 15 days of the Bureau Chief's written acceptance of the proposed auditor. The independent auditor's report shall be prepared and submitted as follows:

a. Not later than 60 days after the Merger Closing Date, the independent auditor shall submit a preliminary audit program, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Commission's Audit Staff ("Audit Staff"). The preliminary audit program shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. The independent auditor shall consult with the Audit Staff and SBC/Ameritech regarding changes to the preliminary audit program, but Commission approval of the requirements or changes thereto shall not be required.

b. During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with SBC/Ameritech in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The independent auditor shall notify SBC/Ameritech of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

c. The independent auditor shall have access to books, records, and operations of SBC/Ameritech and its affiliates that are under the control of SBC/Ameritech and are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor shall notify the Audit Staff if access is not timely provided after notification to the compliance officer.

d. The independent auditor may verify SBC/Ameritech's compliance with the collocation requirements through contacts with the Commission, state commissions, or SBC/Ameritech's wholesale customers, as deemed appropriate by the independent auditor.

e. Not later than 10 months after the Merger Closing Date, the independent auditor shall submit its final audit report to the Commission's Audit Staff. A copy of the report shall be publicly filed with the Secretary of the Commission.

f. The independent auditor's report shall include a discussion of the scope of the work conducted; a statement regarding SBC/Ameritech's compliance or non-compliance with the Commission's collocation rules; a statement regarding the sufficiency of SBC/Ameritech's methods, procedures, and internal controls for compliance with the Commission's collocation rules; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

g. For 24 months following submission of the final audit report, the Commission and state commissions in the SBC/Ameritech States shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor. Copying of the working papers and supporting materials by the Commission shall be allowed but shall be limited to copies required for the Commission to verify compliance with and enforce these Conditions. Any copies made by the Commission shall be returned to SBC/Ameritech by the Commission. The Commission's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures. Prior to obtaining access to the working papers and supporting materials for review, state commissions shall enter into a protective agreement with the Chief of the Common Carrier Bureau and SBC/Ameritech under which the state commission's review, including any notes, shall be kept confidential.

41. As an additional incentive to ensure that telecommunications carriers receive collocation from SBC/Ameritech in a timely manner, SBC/Ameritech will, for 36 months after the Merger Closing Date, credit or refund to telecommunications carriers 100 percent of the total nonrecurring collocation costs for qualifying collocation projects if SBC/Ameritech caused the collocation due date to be missed by more than 60 calendar days. The following business rules (based on Measurement Number 19 – Percent Missed Collocation Due Dates from the Texas Performance Measurements) will be used for purposes of this Paragraph: The rules apply to all requests for physical, virtual, adjacent structure, and cageless collocation in a LATA where the requesting telecommunications carrier has submitted no more than 5 collocation requests in the LATA within a 30-day period that includes the date of the request. Requests in excess of 5 collocation arrangements per LATA will be included when the requesting telecommunications carrier meets with SBC/Ameritech in advance of its submission of the requests and negotiates a mutually agreeable deployment schedule. If no such agreement is reached, this condition shall apply to the first 5 requests received from the telecommunications carrier for the LATA during the 30-day period. Unless otherwise mutually agreed, due dates for collocation requests will be established by SBC/Ameritech, in compliance with the standard collocation intervals included in the approved tariff or relevant interconnection agreement existing as of merger close, whichever govern the provision of collocation in the relevant state. Due dates may be extended when

mutually agreed to by SBC/Ameritech and the telecommunications carrier, or by acts or God or force majeure events or when such carrier fails to complete work items for which the carrier is responsible in the allotted time frame. The extended due date will be calculated by adding to the original due date the number of calendar days that the telecommunications carrier was late in performing said work items. Work items include, but are not limited to, telecommunications carrier return to SBC/Ameritech of corrected and complete floor plan drawings and placement of required components(s) by such carrier or its vendor. A due date is considered met when SBC/Ameritech turns the space over to the telecommunications carrier (for physical collocation), completes installation of virtually collocated equipment (or provides notification that the space is ready for installation where the carrier provides the virtually collocated equipment), or, in the case of adjacent structure collocation and cageless collocation where the carrier provides its own bays, when SBC/Ameritech provides the requested interconnection and power cabling to the collocation space.

XII. Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements

42. Out-of-Region Agreements. In furtherance of maintaining open local markets after the Merger Closing Date, SBC/Ameritech shall make available to telecommunications carriers in the SBC/Ameritech Service Area any service arrangements that an incumbent LEC (not an SBC/Ameritech incumbent LEC) develops for an SBC/Ameritech affiliate, at the request of the SBC/Ameritech affiliate, where the SBC/Ameritech affiliate operates as a new local entrant. Specifically, if the SBC/Ameritech out-of-territory entit(ies) described in Paragraph 59 make a specific request for and obtain any interconnection arrangement or UNE from an incumbent LEC that had not previously been made available to any other telecommunications carrier by that incumbent LEC, then SBC/Ameritech's incumbent LECs shall make available to requesting telecommunications carriers in the SBC/Ameritech Service Area, through good-faith negotiation, the same interconnection arrangement or UNE on the same terms (exclusive of price). SBC/Ameritech shall not be obligated to provide pursuant to this condition any interconnection arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made. Disputes regarding the availability of an interconnection arrangement or UNE shall be resolved pursuant to negotiation between the parties or by the relevant state commission under 47 U.S.C. § 252 to the extent applicable. The price(s) for such interconnection arrangement or UNE shall be negotiated on a state-specific basis and, if such negotiations do not result in agreement, SBC/Ameritech's incumbent LEC shall submit the pricing dispute(s), exclusive of the related terms and conditions required to be provided under this Paragraph, to the applicable state commission for resolution under 47 U.S.C. § 252 to the extent applicable. To assist telecommunications carriers in exercising the options made available by this Paragraph, SBC/Ameritech or the out-of-region entit(ies) described in Paragraph 59 shall post on its Internet website all interconnection agreements between the SBC/Ameritech out-of-territory entit(ies) and an unaffiliated incumbent LEC.

43. In-Region Agreements. SBC/Ameritech shall further expand the contractual options available to local entrants in each SBC/Ameritech Service Area, beyond those required by the Telecommunications Act of 1996, by making available service arrangements offered by SBC/Ameritech through its voluntarily negotiated interconnection agreements in other States. Subject to the conditions specified in this Paragraph, SBC/Ameritech shall make available to

any requesting telecommunications carrier in the SBC/Ameritech Service Area within any SBC/Ameritech State any interconnection arrangement or UNE in the SBC/Ameritech Service Area within any other SBC/Ameritech State that (1) was negotiated with a telecommunications carrier, pursuant to 47 U.S.C. § 252(a)(1), by an SBC/Ameritech incumbent LEC that at all times during the interconnection agreement negotiations was an affiliate of SBC and (2) has been made available under an agreement to which SBC/Ameritech is a party. Terms, conditions, and prices contained in tariffs cited in SBC/Ameritech's interconnection agreements shall not be considered negotiated provisions. Exclusive of price and subject to the conditions specified in this Paragraph, qualifying interconnection arrangements or UNEs shall be made available to the same extent and under the same rules that would apply to a request under 47 U.S.C. § 252(i), provided that the interconnection arrangements or UNEs shall not be available beyond the last date that it is available in the underlying agreement and that the requesting telecommunications carrier accepts all reasonably related terms and conditions as determined in part by the nature of the corresponding compromises between the parties to the underlying interconnection agreement. The price(s) for such interconnection arrangement or UNE shall be established on a state-specific basis pursuant to 47 U.S.C. § 252 to the extent applicable. Provided, however, that pending the resolution of any negotiations or arbitration regarding State-specific pricing, SBC/Ameritech shall offer to enter into an agreement with the requesting telecommunications carrier whereby the requesting telecommunications carrier will pay, on an interim basis and subject to true-up, the same prices established for the interconnection arrangement or UNE in the negotiated agreement that has been made available to the requesting telecommunications carrier under this Paragraph. This Paragraph shall not impose any obligation on SBC/Ameritech to make available to a requesting telecommunications carrier any terms for interconnection arrangements or UNEs that incorporate a determination reached in an arbitration conducted in the relevant State under 47 U.S.C. § 252, or the results of negotiations with a state commission or telecommunications carrier outside of the negotiation procedures of 47 U.S.C. § 252(a)(1). For example, terms made available in Texas through SWBT's Proposed Interconnection Agreement ("PIA") (filed with the Texas PUC on May 13, 1999) would not be available under this Paragraph. SBC/Ameritech shall not be obligated to provide pursuant to this Paragraph any interconnection arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made. Disputes regarding the availability of an interconnection arrangement or UNE shall be resolved pursuant to negotiation between the parties or by the relevant state commission under 47 U.S.C. § 252 to the extent applicable.

XIII. Multi-State Interconnection and Resale Agreements

44. In order to promote competition and to assist telecommunications carriers that want to operate in more than one SBC/Ameritech State, SBC/Ameritech shall develop generic multi-state interconnection agreements. Upon the request of a telecommunications carrier, SBC/Ameritech shall negotiate in good faith an interconnection and/or resale agreement covering the provision of interconnection arrangements, services, and/or UNEs in the SBC/Ameritech Service Area in two or more SBC/Ameritech States. Such a multi-state agreement may include a separate contract with each SBC/Ameritech incumbent LEC. No later than 60 days after the Merger Closing Date, SBC/Ameritech shall make available to any requesting telecommunications carrier generic interconnection and resale terms and conditions covering the SBC/Ameritech Service Area in all SBC/Ameritech States. Pricing under a multi-

state generic agreement shall be established on a state-by-state basis and SBC/Ameritech shall not be under any obligation to enter into any arrangement for a State that is not technically feasible and lawful in that state. Any agreement negotiated under this Section shall be subject to the state-specific mediation, arbitration, and approval procedures of Section 252. Approval of the agreement in one state shall not be a precondition for implementation of the agreement in another State where approval has been obtained.

XIV. Carrier-to-Carrier Promotions: Unbundled Loop Discount

45. As additional encouragement for rapid development of UNE-based residential telephone exchange service competition in its local service territories, SBC/Ameritech shall offer the unbundled loop carrier-to-carrier promotion described below in the SBC/Ameritech Service Area. SBC/Ameritech shall implement this promotion by providing each CLEC with which SBC/Ameritech has an interconnection agreement in the relevant State, no later than 10 days after the Merger Closing Date, a written offer to amend each CLEC's interconnection agreement to incorporate the promotion. For purposes of this Section, an offer published on SBC/Ameritech's Internet website that can be accessed by CLECs shall be considered a written offer. SBC/Ameritech shall establish necessary internal processes and procedures to ensure that SBC/Ameritech's wholesale business units are responsive to telecommunications carriers' requests for the promotion. SBC/Ameritech shall make its written offer at the same time to all CLECs with which it has existing interconnection and/or resale agreements. The agreement amendments for all carriers in a State that accept SBC/Ameritech's written offer within 10 business days after the initial offer shall be filed at the same time for review and approval by the relevant state commission.

46. For an Offering Window period in the SBC/Ameritech Service Area, SBC/Ameritech shall offer to those telecommunications carriers that have a signed and effective interconnection agreement amendment promotional discounted prices on monthly recurring charges for unbundled local loops used in the provision of local service to residential end user customers, ordered after the Merger Closing Date. SBC/Ameritech may provide promotional discounts through credits, true-ups, or other billing mechanisms, provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service.

a. The Offering Window period for the unbundled loop promotion for each SBC and Ameritech State shall begin 30 days after the Merger Closing Date and end at the latest of the following: (i) 24 months after commencement of the Offering Window period; (ii) the first date on which SBC/Ameritech is authorized to provide in-region, interLATA services in the relevant State; or (iii) the first date on which SBC/Ameritech provides facilities-based telephone exchange service to at least one customer in each of 15 out-of-territory markets pursuant to Paragraph 59 of these Conditions. The Offering Window period may end earlier in a State than provided in the preceding sentence if and when the maximum number of unbundled loops has been reached in that State pursuant to Subparagraph g of this Paragraph. During the Offering Window, SBC/Ameritech shall respond to all telecommunications carrier inquiries regarding the promotional discounted prices within 10 business days.

b. SBC/Ameritech shall be under no obligation to provide an unbundled local loop at a promotional discounted price unless the loop is ordered during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window. Unbundled loops ordered or in service prior to the start of the Offering Window, or ordered after the end of the Offering Window, shall not be eligible for a promotional discounted price.

c. SBC/Ameritech shall be under no obligation to provide an unbundled local loop at a promotional discounted price ordered before the merger closes or outside the Promotional Period. For the purposes of this Section, the Promotional Period shall be a period of 36 months from the date a qualifying unbundled local loop is installed and operational, or the period during which the loop remains in service at the same location and for the same telecommunications carrier, whichever is shorter.

d. The promotional discounted prices for unbundled analog local loops used in the provision of residential telephone exchange service and the promotional discount levels are shown in Attachment C. These promotional discounted prices were calculated to be, on average for each State, 25 percent below the lowest applicable monthly recurring price established for the same loop by the relevant state commission pursuant to 47 U.S.C. § 252 as of August 27, 1999, assuming that the number of unbundled loops to be provided in each geographic area will be proportionate to the number of residential access lines in that geographic area.

e. Telecommunications carriers requesting unbundled local loops at a promotional discounted price shall agree to abide by the following conditions: (i) the loop shall be used to provide residential telephone exchange service and shall not be used to provide any Advanced Services as defined in Section I; (ii) the loop shall not be purchased or used as part of a UNE Platform or in any other combination with SBC/Ameritech's local switching or the functions and features associated with that switching; and (iii) the loop shall be used in accordance with any other binding conditions imposed under applicable agreements, judicial or administrative decisions, or governing law. Telecommunications carriers that obtain unbundled local loops at the promotional discounted prices shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at a promotional discounted price in accordance with these Conditions. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided at a promotional discounted price are used in accordance with conditions (i) and (ii), above. Telecommunications carriers that obtain unbundled local loops at a promotional discounted price shall agree to cooperate in the performance of such audits and inspections. Audit information will be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech will prohibit those personnel from disclosing audit-related, customer-specific or company-specific proprietary information to SBC/Ameritech retail personnel.

f. Any telecommunications carrier found by the appropriate state commission to have violated the use conditions of Subparagraph e or that fails to cooperate in an audit may be denied the promotional discounted price on any unbundled local loop for which the

use conditions or the audit provisions are violated. In addition, any such telecommunications carrier that intentionally and repeatedly violates the use conditions of Subparagraph e may be denied the promotional discounted price on unbundled local loops ordered or installed after the date of such a finding by a state commission.

g. The maximum number of unbundled local loops that SBC/Ameritech shall be required to provide at a promotional discounted price in each State shall be: Illinois – 180,000; Indiana – 62,000; Michigan – 152,000; Ohio – 120,000; Wisconsin – 64,000; California – 479,000; Nevada – 10,000; Connecticut – 68,000; Arkansas – 30,000; Kansas – 41,000; Missouri – 76,000; Oklahoma – 51,000; Texas – 275,000. In order to provide CLECs with advance planning information, SBC/Ameritech shall provide written or Internet notice to CLECs operating in the relevant State when 50 percent and 80 percent of these maximum numbers are reached in each SBC/Ameritech State. Unbundled local loops installed and made operational at the promotional discounted price after the Merger Closing Date shall be counted toward the maximum number, whether or not they remain in service. The relevant state commission may allocate the maximum number of unbundled local loops eligible for a promotional discounted price in that state between two or more geographic areas within the state.

XV. Carrier-to-Carrier Promotions: Resale Discount

47. As additional encouragement for CLECs rapidly to enter the residential telephone exchange service market in SBC/Ameritech's local service territories through resale, SBC/Ameritech shall offer the resale carrier-to-carrier promotion described below, with discounts beginning at 32 percent off of the retail rate, in the SBC/Ameritech Service Area. SBC/Ameritech shall implement this promotion by providing each CLEC with which SBC/Ameritech has an interconnection agreement in the relevant State, no later than 10 days after the Merger Closing Date, a written offer to amend each CLEC's interconnection agreement to incorporate the resale promotion. For purposes of this Section, an offer published on SBC/Ameritech's Internet website that can be accessed by CLECs shall be considered a written offer. SBC/Ameritech shall establish necessary internal processes and procedures to ensure that SBC/Ameritech's wholesale business units are responsive to telecommunications carriers' requests for the resale promotion. SBC/Ameritech shall make its written offer at the same time to all CLECs with which it has existing interconnection and/or resale agreements. The agreement amendments for all carriers in a State that accept SBC/Ameritech's written offer within 10 business days after the initial offer shall be filed at the same time for review and approval by the relevant state commission.

48. For the Offering Window period defined in Paragraph 46, SBC/Ameritech shall offer in the SBC/Ameritech Service Area to those telecommunications carriers that have a signed and effective interconnection agreement amendment, promotional resale discounts on telecommunications services that SBC/Ameritech provides at retail to subscribers who are not telecommunications carriers, where such services are resold to residential end user customers. The Offering Window period may end earlier in a State than provided in the preceding sentence if and when the maximum number of unbundled loops has been reached in that State pursuant to Paragraph 49. For purposes of this Paragraph, the term "telecommunications service" shall have the same meaning as in 47 U.S.C § 251(c)(4). SBC/Ameritech may provide promotional discounts through credits, true-ups, or other billing mechanisms, provided, however, that such

credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service.

a. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount unless the underlying resold line is ordered after the Merger Closing Date and during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window for the particular state. Resold services (such as Call Waiting) provided over a resold customer line that was ordered or in service prior to the Offering Window, or placed in service more than 30 days after the end of the Offering Window, shall not be eligible for a promotional resale discount. Resold services (such as Call Waiting) added to a resold line that qualifies for the promotional resale discounts shall be eligible for the promotional resale discounts for the duration of the Promotional Period regardless of whether such resold services were added after the end of the Offering Window.

b. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount outside the Promotional Period. For the purposes of this Subparagraph, the Promotional Period shall be a period of 36 months from the date a qualifying resold service is installed and operational, or the period during which the resold service remains in service at the same location and for the same telecommunications carrier, whichever is shorter.

c. The promotional resale discount rate for services resold to residential customers shall be 32 percent from the retail rate until the latest of: (i) 24 months after commencement of the Offering Window period; (ii) the first date on which SBC/Ameritech is authorized to provide in-region, interLATA services in the relevant State; or (iii) the first date on which SBC/Ameritech provides facilities-based telephone exchange service to at least 3 customers in each of 15 out-of-territory markets pursuant to Paragraph 59c(2) of these Conditions. Thereafter, for the remaining duration of any Promotional Period, the promotional resale discount rate for service resold to residential customers shall be 1.1 times the standard wholesale discount rate established for the service by the relevant state commission pursuant to 47 U.S.C. § 252(d)(3), (e.g., if the standard wholesale discount rate in a State is 20 percent, then the promotional resale discount rate would be 22 percent). Upon the termination of the initial 32 percent promotional resale discount rate, this discount rate shall apply automatically to all services eligible for a promotional resale discount, including those services that initially were provided under the 32 percent promotional resale discount. The promotional resale discounts shall apply to all resold services provided over a qualifying resold line; i.e., on a single resold line telecommunications carriers may not “pick and choose” between the promotional resale discounts and the standard resale discounts that apply in a state.

49. The Offering Window for the Promotional Resale Discounts in each State shall begin 30 days after the Merger Closing Date and end for that State at the earlier of the following: (i) 36 months after commencement of the Offering Window period; or (ii) the month following the date when the sum of resold lines in service in a state at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service in the state reaches the maximum allowable quantity by State set forth below for each state: Illinois – 302,000; Indiana – 104,000; Michigan – 252,000; Ohio – 200,000; Wisconsin – 102,000; California – 799,000; Nevada – 17,000; Connecticut – 114,000; Arkansas – 49,000; Kansas – 68,000; Missouri – 127,000; Oklahoma – 84,000; and Texas – 458,000. In order to provide CLECs with

advance planning information, SBC/Ameritech shall provide written or electronic notice to CLECs operating in the relevant State when 50 percent and 80 percent of these termination numbers are reached in each SBC/Ameritech State. If the Offering Window in a state ends for the Resale promotions in that state because the maximum allowable quantity listed in this Paragraph has been exceeded in that state, SBC/Ameritech shall file notice with the Secretary of the Commission, the relevant state commission and the CLECs operating in that state, within 3 business days after terminating the Offering Window for the availability of promotional resale discounts in the state.

XVI. Carrier-to-Carrier Promotions: UNE Platform

50. As additional encouragement for rapid development of residential telephone exchange service competition in its local service territories, SBC/Ameritech shall offer the UNE platform promotion described below in the SBC/Ameritech Service Area. SBC/Ameritech shall implement the UNE platform promotion by providing each CLEC with which SBC/Ameritech has an interconnection agreement in the relevant State, no later than 10 days after the Merger Closing Date, a written offer to amend each CLEC's interconnection agreement to incorporate the promotion. For purposes of this Section, an offer published on SBC/Ameritech's Internet website that can be accessed by CLECs shall be considered a written offer. SBC/Ameritech shall establish necessary internal processes and procedures to ensure that SBC/Ameritech's wholesale business units are responsive to telecommunications carriers' requests for the UNE platform promotion. SBC/Ameritech shall make its written offer at the same time to all CLECs with which it has existing interconnection and/or resale agreements. The agreement amendments for all carriers in a State that accept SBC/Ameritech's written offer within 10 business days after the initial offer shall be filed at the same time for review and approval by the relevant state commission.

51. For the Offering Window period defined in Paragraph 46, SBC/Ameritech shall offer in the SBC/Ameritech Service Area to those telecommunications carriers that have a signed and effective interconnection agreement amendment, promotional, end-to-end combinations of UNEs (the "promotional UNE platform") to enable the telecommunications carriers to provide residential POTS service and residential Basic Rate Interface ISDN service. The Offering Window period may end earlier in a State than provided in the preceding sentence if and when the maximum number of unbundled loops has been reached in that State pursuant to Paragraph 52. The promotional UNE platform may be used to provide exchange access services in combination with these services. For purposes of this Paragraph, the promotional UNE platform is a combination of all network elements used to provide residential POTS service and residential Basic Rate Interface ISDN service and available under 47 C.F.R. § 51.319, as in effect on January 24, 1999.

a. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform unless the promotional UNE platform is ordered after the Merger Closing Date and during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window. SBC/Ameritech shall not be obligated under the terms of those conditions to provide UNE platforms that are ordered before or after the Offering Window.

b. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform outside the Promotional Period. For the purposes of this Subparagraph, the Promotional Period shall be a period of 36 months from the date a promotional UNE platform is installed and operational, or the period during which the promotional UNE platform remains in service at the same location and for the same telecommunications carrier, whichever is shorter.

c. The price for the promotional UNE platform shall be negotiated or established by the appropriate state commission in accordance with the pricing rules that apply to UNEs pursuant to 47 U.S.C. § 252(d)(1). The promotional UNE platform shall not be available in combination with unbundled loops obtained under any other promotion, including the Promotional Discounts on unbundled local loops described in Section XIV.

d. Telecommunications carriers requesting the promotional UNE platform shall agree to abide by the following conditions: (i) the network elements shall be used to provide residential local telephone exchange service; and (ii) the network elements shall be used in accordance with any other binding conditions imposed under applicable agreements, judicial or administrative decisions, or governing law. Telecommunications carriers that obtain the promotional UNE platform shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using these network elements in accordance with the above conditions. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that network elements provided as part of the promotional UNE platform are used to provide residential telephone exchange service. Telecommunications carriers that obtain the promotional UNE platform shall agree to cooperate in the performance of such audits and inspections. Audit information will be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech will prohibit those personnel from disclosing audit-related, customer-specific or company-specific proprietary information to SBC/Ameritech retail personnel.

e. Any telecommunications carrier found by the appropriate state commission to have violated the use conditions of Subparagraph d or that fails to cooperate in an audit may be denied a promotional UNE platform as to which the use conditions or the audit provisions are violated. In addition, any such telecommunications carrier that intentionally and repeatedly violates the use conditions of Subparagraph d may be denied the promotional UNE platform for UNE platforms installed after the date of such a finding by a state commission.

52. The Offering Window for Promotional End-to-End UNE Combinations in each State shall begin 30 days after the Merger Closing Date and end for that State at the earlier of the following: (i) 36 months after commencement of the Offering Window period; or (ii) the month following the date when the sum of resold lines in service in a state at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service in the state reaches the maximum allowable quantity by State set forth below for each state: Illinois – 302,000; Indiana – 104,000; Michigan – 252,000; Ohio – 200,000; Wisconsin – 102,000; California – 799,000; Nevada – 17,000; Connecticut – 114,000; Arkansas – 49,000; Kansas – 68,000; Missouri – 127,000; Oklahoma – 84,000; and Texas – 458,000. In order to provide CLECs with advance planning information, SBC/Ameritech shall provide written or Internet notice to CLECs operating in the relevant State when 50 percent and 80 percent of these termination numbers are reached in each of the SBC/Ameritech States. If the Offering Window

in a state ends for the UNE Combinations promotions in that state because the maximum allowable quantity listed in this Paragraph has been exceeded in that state, SBC/Ameritech shall file notice with the Secretary of the Commission, the relevant state commission and the CLECs operating in that state, within 3 business days after terminating the Offering Window for the availability of promotional end-to-end UNE combinations in the state.

XVII. Offering of UNEs

53. SBC/Ameritech shall continue to make available to telecommunications carriers, in the SBC/Ameritech Service Area within each of the SBC/Ameritech States, a UNE that was made available in the State under SBC's or Ameritech's local interconnection agreements as in effect on January 24, 1999, under the same terms and conditions that such UNE was made available on January 24, 1999, until the earlier of (i) the date the Commission issues a final order in its UNE remand proceeding in CC Docket No. 96-98 finding that the UNE is not required to be provided by SBC/Ameritech in the relevant geographic area, or (ii) the date of a final, non-appealable judicial decision providing that the UNE is not required to be provided by SBC/Ameritech in the relevant geographic area. This Paragraph shall become null and void and impose no further obligation on SBC/Ameritech after the effective date of a final and non-appealable Commission order in the UNE remand proceeding.

XVIII. Alternative Dispute Resolution through Mediation

54. In the SBC/Ameritech Service Area within each SBC/Ameritech State, SBC/Ameritech shall implement, subject to the appropriate state commission's approval and participation, an alternative dispute resolution ("ADR") mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes related to existing and effective interconnection agreements, as described in Attachment D. Participation in the ADR mediation process established by this Section is voluntary for both telecommunications carriers and state commissions. The process is not intended and shall not be used as a substitute for resolving disputes regarding the negotiation of interconnection agreements under Sections 251 and 252 of the Communications Act. The ADR mediation process shall be utilized to resolve local interconnection agreement disputes between SBC/Ameritech and unaffiliated telecommunications carriers at the unaffiliated telecommunications carrier's request.

XIX. Shared Transport in Ameritech States

55. No later than the Merger Closing Date, SBC/Ameritech shall in the SBC/Ameritech Service Area within the Ameritech States, file tariffs and/or offer amendments containing standard terms and conditions for inclusion in interconnection agreements under 47 U.S.C. § 252, to make available to customers of SBC/Ameritech's unbundled local switching, subject to state approval, the function of shared transport (as defined in the Third Order on Reconsideration and Further Notice of Proposed Rulemaking, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 12 FCC Rcd 12460 (1997)), on an interim basis as follows. Interim shared transport shall be available in the SBC/Ameritech Service Area within the Ameritech States until the earlier of (i) implementation of the shared transport arrangements described in Paragraph 56 in the relevant geographic area, or (ii) such

time, if any, that the Commission enters a final and non-appealable order finding that either local switching or transport is not a UNE nationally or in the relevant geographic area.

a. SBC/Ameritech shall not require use of dedicated transport or customized routing to complete all calls using local switching and shared transport. SBC/Ameritech shall make available a modified version of transiting that does not require a dedicated end office integration ("EOI") transit trunk. SBC/Ameritech shall withdraw Ameritech's proposal for the Commission to establish a separate transit service rate to be charged in conjunction with shared transport (as described in Ameritech's March 25, 1999, ex parte filing in CC Docket No. 96-98).

b. Where an end user customer served by a telecommunications carrier using SBC/Ameritech's shared transport facilities makes or receives an intraLATA or interLATA call carried by an interexchange carrier, SBC/Ameritech shall collect its relevant access charges from the interexchange carrier. Based upon originating and terminating usage factors, SBC/Ameritech shall then make payment to (or receive payment from) the telecommunications carrier based on the difference between the access charges and the applicable charges for the UNEs used by the telecommunications carrier to provide the access service.

c. SBC/Ameritech may charge a telecommunications carrier using SBC/Ameritech's local switching and shared transport facilities to originate traffic for the telecommunications carrier's usage of local switching and a usage-sensitive shared transport rate. The shared transport rate shall be based upon a blend of direct and tandem-routed traffic and either local switch usage at the terminating SBC/Ameritech end office or transiting and applicable termination charges for traffic to a non-SBC/Ameritech end office. SBC/Ameritech shall not charge a telecommunications carrier using SBC/Ameritech's local switching for usage at the terminating switch to which the telecommunications carrier's traffic is delivered by shared transport facilities. SBC/Ameritech shall not be required to create message records for terminating usage under these Conditions.

d. SBC/Ameritech shall offer to include in its approved interconnection agreements for the Ameritech States a retroactive true-up provision that would become effective upon a state commission's final and unappealable decision modifying either SBC/Ameritech's proposed access charge settlement methodology or SBC/Ameritech's proposed shared transport rate. SBC/Ameritech shall not be required under this Subparagraph to provide a retroactive true-up for any period prior to the effective date of the tariffs or amendments filed or offered under this Paragraph.

56. Within 12 months of the Merger Closing Date (but subject to state commission approval and the terms of any future Commission orders regarding the obligation to provide unbundled local switching and shared transport), SBC/Ameritech shall offer shared transport in the SBC/Ameritech Service Area within the Ameritech States under terms and conditions, other than rate structure and price, that are substantially similar to (or more favorable than) the most favorable terms SBC/Ameritech offers to telecommunications carriers in Texas as of August 27, 1999. Subject to state commission approval and the terms of any future Commission orders regarding the obligation to provide unbundled local switching and shared transport, SBC/Ameritech shall continue to make this offer, at a minimum, until the earlier of (i) the date the Commission issues a final order in its UNE remand proceeding in CC Docket No. 96-98

finding that shared transport is not required to be provided by SBC/Ameritech in the relevant geographic area, or (ii) the date of a final, non-appealable judicial decision providing that shared transport is not required to be provided by SBC/Ameritech in the relevant geographic area.

XX. Access to Cabling in Multi-Unit Properties

57. In order to provide information regarding possible options for additional competition in the provision of local service to multi-unit properties, SBC/Ameritech shall, subject to any required state approvals, offer to conduct a trial with one or more interested, unaffiliated CLECs in each of five large cities within the SBC/Ameritech Service Area to identify the procedures and associated costs required to provide CLECs with access to cabling within Multi-Dwelling Unit premises (“MDUs”) and multi-tenant premises housing small businesses (“MTUs”), where SBC/Ameritech controls the cables. The trials shall be conducted in accordance with the following terms:

a. In each city, the trial shall include buildings housing, in the aggregate, at least 1,000 residential dwelling units.

b. In at least one city, the trial shall include at least one “campus” of garden apartment dwelling units.

c. In at least one city, the trial shall include at least one MTU.

d. The trials shall provide the CLECs with access at a single point of interface to the cabling that SBC/Ameritech controls. Recabling and reconfiguration required by this Section shall be priced at actual cost. Administrative costs associated with recabling and reconfiguration shall be priced at cost in accordance with the pricing rules applicable to UNEs under 47 U.S.C. § 251(d)(2). Disputes regarding the costs incurred and the allocation of such costs among participants in the trials shall be resolved by the Chief of the Common Carrier Bureau.

e. If requested by a CLEC, the first trial shall begin no later than 180 days after the Merger Closing Date. The trials shall be fully deployed within 12 months after the Merger Closing Date. Each trial shall be conducted for a period of not greater than 12 months.

f. SBC/Ameritech shall select trial locations and develop a trial plan with input from its CLEC customers. SBC/Ameritech shall negotiate, upon a CLEC’s request, regarding access to those buildings used in a trial after the conclusion of that trial. Disputes regarding selection of trial locations shall be resolved by the Chief of the Common Carrier Bureau.

g. Taking into account the results of the trials, SBC/Ameritech will negotiate in good faith with CLECs to develop tariffs and/or interconnection agreement amendments that will facilitate single points of interconnection to cabling controlled by SBC/Ameritech in MDUs/MTUs on a going-forward basis.

58. In the SBC/Ameritech Service Area SBC/Ameritech shall, subject to any required state approvals and consistent with any relevant state laws or regulations, install new cables in a manner that will provide telecommunications carriers a single point of interface, as provided in this Paragraph. SBC/Ameritech shall only be required pursuant to this Paragraph to provide a single point of interface where the property owner or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the single point of interface. Nothing in this Paragraph shall restrict property owners' rights to control access to their buildings or property. Access from the public right-of-way to the single point of interface is the responsibility of each telecommunications carrier. The provisions of this Paragraph apply only to cable installations for which engineering work is begun after the Merger Closing Date.

a. When SBC/Ameritech is hired to install new cables in a newly constructed or retrofitted single-building MDU or campus of garden apartment dwelling units or a newly constructed or retrofitted multi-tenant business premises that the property owner or some other party(ies) will own and maintain, SBC/Ameritech shall provide the property owner written notice that SBC/Ameritech will, unless the property owner objects, install and provide the new cables in a manner that will permit telecommunications carriers a single point of interface at a minimum point of entry. Provided, however, that there may be multiple points of entry where the landlord requests diversity.

b. Where SBC/Ameritech 1) would, absent the terms of this Subparagraph, own the new cables in a newly constructed or retrofitted single-building MDU or campus of garden apartment dwelling units or a newly constructed or retrofitted multi-tenant business premises, and 2) has the right to do so without the consent of any other party, SBC/Ameritech shall install and provide cables to such multi-unit properties in a manner that will permit telecommunications carriers a single point of interface at a minimum point of entry if the property owner or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the single point of interface. Provided, however, that there may be multiple points of entry where the property owner or other party requests diversity.

c. Where SBC/Ameritech 1) would, absent the terms of this Subparagraph, own the new cables in a newly constructed or retrofitted single-building MDU or campus of garden apartment dwelling units or a newly constructed or retrofitted multi-tenant business premises, but 2) needs the consent of the property owner or another party to install and provide cables to such multi-unit properties in a manner that will permit telecommunications carriers a single point of interface at a minimum point of entry, SBC/Ameritech shall provide written notice to the property owner or other party that SBC/Ameritech will, unless the other party objects, install and provide new cables to such multi-unit properties in a manner that will permit telecommunications carriers a single point of interface at a minimum point of entry if the property owner or some other party(ies) accepts full responsibility for installing and maintaining all cabling on the customer side of the single point of interface. Provided, however, that there may be multiple points of entry where the other party requests diversity.

FOSTERING OUT-OF-REGION COMPETITION

XXI. Out-of-Territory Competitive Entry (National-Local Strategy)

59. To ensure that residential consumers and businesses customers timely receive the benefits of SBC/Ameritech's National Local Strategy, SBC/Ameritech entities (including SBC/Ameritech and one or more entities in which SBC/Ameritech owns an equity interest (or the equivalent thereof) of more than 50 percent) shall offer local services in out-of-territory markets as described in this Paragraph. The SBC/Ameritech entities offering local service in out-of-territory markets shall be referred to as the "SBC/Ameritech Out-of-Territory Entities".

a. The SBC/Ameritech Out-of-Territory Entities shall provide local service, as described in Subparagraph c of this Section, in 30 markets in which SBC/Ameritech currently does not operate as an incumbent LEC (the "out-of-territory markets"), which may include markets in states currently served by SBC/Ameritech's incumbent LECs. Each of the 30 markets shall be chosen from the 50 out-of-territory markets listed in Attachment E and shall consist of the area defined by the Office of Management and Budget, as of June 30, 1998, as the Primary Metropolitan Statistical Area of the market (the "PMSA").

b. The initial deployment deadlines for the 30 markets shall be as follows:

(1) In the Boston, Miami, and Seattle markets, 12 months after the Merger Closing Date.

(2) For 12 additional out-of-territory markets (chosen by the SBC/Ameritech Out-of-Territory Entities at their sole discretion from the markets listed in Attachment E), 18 months after the Merger Closing Date.

(3) For the remaining 15 out-of-territory markets (chosen by the SBC/Ameritech Out-of-Territory Entities at their sole discretion from the markets listed in Attachment E), the later of: (i) 30 months after the Merger Closing Date, or (ii) 60 days after the date upon which SBC/Ameritech first holds valid authorization to provide originating voice and data interLATA services to at least 60 percent of all access lines (as reported under the Commission's Part 43 rules) served by SBC/Ameritech's incumbent LECs (including SNET).

c. SBC/Ameritech shall have fulfilled all requirements of this Section if, for each of the 30 out-of-territory markets, the SBC/Ameritech Out-of-Territory Entities meet each of the following service requirements:

(1) No later than the initial deployment deadline for the market, at least one of the SBC/Ameritech Out-of-Territory Entities shall install a local telephone exchange switch or otherwise obtain local telephone exchange switching capability from a party other than the incumbent LEC in that market. A switch used by an affiliate (as defined in 47 U.S.C. § 153(1)) of SBC/Ameritech to provide cellular or PCS service in an out-of-territory market shall not satisfy this requirement.

(2) No later than the initial deployment deadline for the market, at least one of the SBC/Ameritech Out-of-Territory Entities shall provide facilities-based local exchange service to each of 3 unaffiliated customers in that market, who may be business and/or

non-employee residential customers. For purposes of this Section, "facilities-based service" shall mean service provided by an SBC/Ameritech Out-of-Territory Entity utilizing its own switch or utilizing switching capability from a party other than the incumbent LEC or SBC/Ameritech's cellular or PCS affiliate in that market. For purposes of enforcing this provision under Subparagraph d of this Paragraph and the Communications Act, service to each of the 3 required customers shall be a separate requirement and separate act or failure to act.

(3) No later than 12 months after the initial deployment deadline for the market, at least one of the SBC/Ameritech Out-of-Territory Entities shall have collocated facilities (using physical, virtual, or other types of collocation) in at least 10 wire centers in that market that can be used to provide facilities-based service to customers served by those wire centers. For purposes of enforcing this provision under Subparagraph d of this Paragraph and the Communications Act, collocation in each of the 10 wire centers shall be a separate requirement and separate act or failure to act.

(4) No later than 12 months after the initial deployment deadline for the market, the SBC/Ameritech Out-of-Territory Entities shall offer facilities-based local exchange service to all business and residential customers served by the 10 wire centers in that market where SBC/Ameritech is required to be collocated. For purposes of enforcing this provision under Subparagraph d of this Paragraph and the Communications Act, service in each of the 10 required wire centers shall be a separate requirement and separate act or failure to act.

(5) No later than 12 months after the initial deployment deadline for the market, at least one of the SBC/Ameritech Out-of-Territory Entities shall offer local exchange service to all business customers and all residential customers throughout the areas in that market that are, as of 12 months after the initial deployment deadline for the market, within (i) the local service area of the incumbent RBOC (other than SBC/Ameritech) located within the PMSA of the market, or (ii) the incumbent service area of a Tier 1 incumbent LEC (other than SBC/Ameritech) serving at least 10 percent of the access lines in the PMSA. The SBC/Ameritech Out-of-Territory Entities may provide service under this Paragraph using any means chosen by the SBC/Ameritech Out-of-Territory Entities at their sole discretion, except that at least one of the SBC/Ameritech Out-of-Territory Entities shall offer facilities-based local exchange service to all business and residential customers serviced by the 10 wire centers in the market where SBC/Ameritech has collocated under the requirements of Subparagraph c(4) above. For purposes of enforcing the provisions of this Subparagraph c(5) under Subparagraph d of this Paragraph and the Communications Act, the SBC/Ameritech Out-of-Territory Entities shall offer service to all business customers and to all residential customers in each sixth of the wire centers in the required service area that are not already required to be served under Subparagraph c(4), using any means chosen by SBC/Ameritech at its sole discretion. For example, if a required market area includes 34 wire centers, and the SBC/Ameritech Out-of-Territory Entities have collocated in 10 of those wire centers and offered facilities-based service to customers served by those 10 wire centers in accordance with Subparagraph c(4), SBC/Ameritech's failure to offer service to all business customers in up to 4 of any of the remaining 24 wire centers (i.e., up to one-sixth) would constitute a single violation of this Subparagraph. If the SBC/Ameritech Out-of-Territory Entities failed to offer either business or residential service in at least 5 but no more than 8 wire centers in this market, there would be 4

separate violations of the requirements of this Subparagraph (i.e., two-sixths for both business and residential customers).

d. Not later than 3 business days after a deadline set forth in Subparagraph c, SBC/Ameritech shall file a notice regarding its satisfaction of the relevant requirements with the Secretary of the Commission. If the SBC/Ameritech Out-of-Territory Entities fail to satisfy any of the 36 separate requirements for each out-of-territory market on or before the deadline set forth in Subparagraph c, SBC/Ameritech shall make a one-time contribution of \$1.1 million (up to a total contribution of \$39.6 million per market and \$1.118 billion if the SBC/Ameritech Out-of-Territory Entities fail to satisfy all 36 requirements in all 30 markets) to a fund to provide telecommunications services to underserved areas, groups, or persons. Any such fund shall be established and managed by the state (including the District of Columbia) public utilities commission(s) having jurisdiction over the relevant market(s), if said state commission(s) accept such role. Where required by state law, payment shall be made to another fund or entity required by state law. Where a market includes territory in more than one State, any contribution shall be apportioned to each affected State in proportion to the percentage of all access lines within the PMSA that are within that State. Payments made under this Subparagraph for a failure to satisfy any of the 36 entry requirements shall constitute full satisfaction of the relevant entry requirement. SBC/Ameritech's payments under this Subparagraph shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC. Disputes regarding SBC/Ameritech's satisfaction of the deadlines set forth in Subparagraph c shall be resolved by the Chief of the Common Carrier Bureau, whose decision shall be appealable to the Commission.

e. At the request of one of the SBC/Ameritech Out-of-Territory Entities, a deadline established by this Section for an entry requirement may be extended by the Commission for a particular out-of-territory market for a period equal to any period during which satisfaction of the relevant requirement in the relevant market was rendered impossible or infeasible by a force majeure event or Act of God. In the event that one of the SBC/Ameritech Out-of-Territory Entities seeks an extension of time under this Subparagraph, SBC/Ameritech shall file with the Commission, on or before the relevant deadline, a verified statement of the specific grounds on which the extension is requested and SBC/Ameritech's proposed extension schedule. SBC/Ameritech's filing shall constitute compliance with the relevant deadline pending Commission resolution of SBC/Ameritech's request.

IMPROVING RESIDENTIAL PHONE SERVICE

XXII. InterLATA Services Pricing

60. To benefit consumers, and particularly low-income consumers and low-volume interLATA callers, SBC/Ameritech shall not institute mandatory, minimum monthly or flat-rate charges on interLATA calls. Specifically, subject to any applicable state regulatory requirements, SBC/Ameritech and its affiliates shall not charge wireline residential consumers a minimum monthly or minimum flat rate charge on interLATA long distance service similar to the charge that is currently assessed by some interexchange carriers (e.g., the \$3 monthly charge assessed by AT&T):

a. SBC/Ameritech and its affiliates shall not charge a minimum monthly or minimum flat rate charge (as described in this Paragraph) on interLATA services provided to any in-region or out-of-region wireline residential customer within the United States.

b. This Section shall become effective on the first day after the Merger Closing Date on which SBC/Ameritech either provides interLATA services originating in any SBC/Ameritech Service Area pursuant to 47 U.S.C. § 271(d)(3), or provides telephone exchange service to residential customers in an out-of-territory market pursuant to the local service commitments set forth in Paragraph 59 of these Conditions. This Section shall terminate on the later of (i) 36 months after its effective date, or (ii) 36 months after the first date on which SBC/Ameritech provides telephone exchange service to residential customers in at least 15 out-of-territory markets pursuant to the local service commitments set forth in Paragraph 59 of these Conditions.

c. This Section shall not prohibit SBC/Ameritech or any of its affiliates from passing through to its customers any fees, charges, or taxes (including taxes on SBC/Ameritech's own charges) imposed or authorized by a federal, state, or other governmental entity and imposed on SBC/Ameritech or any of its affiliates as a result of its provision of interLATA services to its customer. Nor shall this Section prohibit SBC/Ameritech from offering customers an optional, voluntary interLATA services pricing plan that includes a minimum monthly or minimum flat-rate charge, or a pre-paid calling card.

XXIII. Enhanced Lifeline Plans

61. To further ensure that the benefits of the merger extend to low-income local residential customers in the SBC/Ameritech Service Area, SBC Ameritech shall enhance its Lifeline plans as follows. Not later than 30 days after the Merger Closing Date, SBC/Ameritech shall offer by letter to the appropriate state commission in the SBC and Ameritech States (except Ohio) to file a tariff for an enhanced Lifeline plan in the SBC/Ameritech Service Area within that State. SBC/Ameritech may fulfill this requirement in a State by either (i) proposing a new, stand-alone Lifeline plan that meets the requirements of this Paragraph, or (ii) proposing to provide additional discounts and/or other enhancements to an existing Lifeline plan in a State which, when combined with the Lifeline benefits provided by the existing plan, meet the requirements of this Paragraph. No State shall be required to accept the enhanced Lifeline plan that will be offered by SBC/Ameritech. Copies of SBC/Ameritech's written offers shall be filed with the Secretary of the Commission. Consistent with applicable state law, the terms and conditions offered by SBC/Ameritech shall be comparable to the terms and conditions of the Ohio Universal Service Assistance ("USA") Lifeline plan set forth in Ameritech Ohio's Alternative Regulation Plan, as in effect on the Merger Closing Date, in the areas of subscriber eligibility, discounts, and eligible services. (See Opinion and Order, Application of the Ohio Bell Tel. Co. for Approval of an Alternative Form of Regulation, Case No. 93-487-TP-ALT, 1994 Ohio PUC LEXIS 956 [Nov. 23, 1994].) Specifically, with respect to discounts, SBC/Ameritech will provide a discount equal to the price of basic residential measured rate service (i.e., access to the network not including any local usage) in each state; provided, however, that the maximum discount to be provided (including all applicable Federal, State and Company contributions) shall not exceed \$10.20 per month. For example, if the current Lifeline

discount in a State is \$8.00 per month, SBC/Ameritech will increase that discount by a maximum of \$2.20 per month for those Lifeline customers that meet all of the qualifications in this Paragraph. This Paragraph is not intended to supercede or eliminate state or federal funding for existing Lifeline programs. Where, for a particular state, SBC/Ameritech does not offer a basic measured rate service that does not include any local usage, to determine the amount of the discount, SBC/Ameritech will determine an estimated price for such a service as a percentage (based on underlying costs) of the most basic service that is offered. If the state commission indicates its acceptance of SBC/Ameritech's offer within 12 months of SBC/Ameritech's written offer, SBC/Ameritech shall file a tariff to implement its offer within 60 days of such acceptance. Subject to the requirements of state and federal law, SBC/Ameritech shall maintain its enhanced Lifeline plan in effect in a State for no less than 36 months following the effective date of the initial tariff required by this Section. In Ohio, SBC/Ameritech shall offer, at the state commission's option, to extend Ameritech Ohio's USA Lifeline plan until January 6, 2003. SBC/Ameritech shall offer to provide such enhanced Lifeline plans with the following operational characteristics:

a. Past-Due Bills. Enhanced Lifeline plan customers with past-due bills for local service charges will be offered payment arrangements for such local service charges with an initial payment not to exceed \$25.00 before service is installed and with the balance to be paid in 6 equal monthly payments. Enhanced Lifeline plan customers with past-due bills for toll service charges will be required to have toll restriction service until such past-due toll service charges have been paid.

b. Deposits. New enhanced Lifeline plan customers will not be required to pay a deposit to obtain local service. SBC/Ameritech may request a deposit for toll service unless the customer elects toll restriction service.

c. Verification of Eligibility. SBC/Ameritech will provide prospective enhanced Lifeline plan customers with a written form that will permit the customer to self-verify eligibility through participation in one or more of the qualifying programs. SBC/Ameritech will have the right to audit any such self-verifications and to refuse enhanced Lifeline service to any customer that is not a current participant in one of the eligible programs. SBC/Ameritech will provide quantities of such written forms to state agencies administering qualifying programs so that these agencies, if they choose, can make these forms available to their clients.

d. On-Line Verification of Eligibility. SBC/Ameritech will negotiate in good faith with appropriate state agencies administering qualifying programs to acquire on-line access to the agencies' electronic databases for the purpose of accessing the information necessary to verify a customer's participation in an eligible program. Where such on-line access can be negotiated on reasonable terms and conditions that permit SBC/Ameritech to access such information efficiently, SBC/Ameritech will provide on-line verification of eligibility for a customer claiming (during a oral contact with an SBC/Ameritech service representative) to be a current participant in one of the eligible programs.

e. Publicity. SBC/Ameritech will agree to spend no less than an annual promotional budget to make potential customers aware of the enhanced Lifeline plan or other

programs that benefit low income consumers. The annual promotional budget for each State is calculated to be proportionate (based on the relative number of residence access lines that SBC/Ameritech has in service in each State) to the \$122,000 annual promotional budget established as part of the USA Lifeline Plan in Ohio. The annual promotional budget, by State, will be: Arkansas – \$30,000; California – \$488,000; Connecticut – \$68,000; Illinois – \$184,000; Indiana – \$64,000; Kansas – \$39,000; Michigan – \$154,000; Missouri – \$78,000; Nevada – \$12,000; Oklahoma – \$50,000; Texas – \$270,000; Wisconsin – \$62,000.

f. Toll-Free Number for Lifeline Inquiries. SBC/Ameritech will provide a toll-free telephone number (e.g., an 800 number) for current and potential enhanced Lifeline plan customers to call for subscribing to, or otherwise requesting information or assistance about, the enhanced Lifeline plan.

g. Toll-Free Fax Line for Receiving Lifeline Documentation. SBC/Ameritech will provide a toll-free fax line for current and potential enhanced Lifeline plan customers to submit documentation associated with the enhanced Lifeline plan.

h. Lifeline Message on Voice Response Units (“VRUs”). Where SBC/Ameritech utilizes a VRU to answer customer calls into a service center, SBC/Ameritech will, where it is technically possible to do so, include information about the enhanced Lifeline plan on the VRU menu after the customer indicates an interest in obtaining new service.

i. Upgrading Current Lifeline Customers. Where a State that already has a Lifeline plan determines to offer the enhanced Lifeline plan described in this Paragraph, and where the enhanced Lifeline plan offers a larger discount and in all other respects no worse terms and conditions to an existing Lifeline customer, SBC/Ameritech shall switch qualifying customers (i.e., customers who have provided SBC/Ameritech with sufficient verification that they participate in a qualifying program) to the enhanced Lifeline plan within 180 days of implementing the enhanced Lifeline plan.

XXIV. Additional Service Quality Reporting

62. To provide the Commission, state commissions, and other telecommunications carriers with benchmark information and additional service quality information, SBC/Ameritech agree to make such information available for 3 years after the Merger Closing Date. Beginning no later than 90 days after the Merger Closing Date for the SBC/Ameritech Service Area in all SBC/Ameritech States except California and Nevada, and beginning no later than 180 days after the Merger Closing Date for the SBC/Ameritech Service Area in California and Nevada, SBC/Ameritech shall file with the Reporting Management Staff of the Commission for the public record, on a quarterly (i.e., January-March, April-June, etc.) basis, State-by-State service quality reports in accordance with the retail service quality reporting recommendations of the NARUC Technology Policy Subgroup “Service Quality White Paper” adopted November 11, 1998. Each such quarterly report shall be filed no later than 50 days after the end of the quarter covered by the report. The first report filed for each State shall cover the most recent quarter that ended at least 50 days prior to the date the report is due. Categories of reporting for retail services include installation and maintenance, switch outages, transmission facility outages,

service quality-related complaints, and answer time performance. Answer time performance may be reported on a multi-state basis in accordance with the consolidated handling of some calls by SBC/Ameritech call centers. Reports shall be filed for a period of 36 months following the date of SBC/Ameritech's first report for that State. A copy of each report for a State shall be included on an SBC/Ameritech Internet website or provided to the relevant state commission.

63. To provide the Commission with data for benchmarking purposes, SBC/Ameritech shall continue to report ARMIS data required by the Commission separately for each of its operating companies. SBC/Ameritech shall provide service quality data in accordance with ARMIS Report No. 43-05 on a quarterly basis. The service quality data required by this Paragraph shall be included on an SBC/Ameritech interNet website or made available to state commissions in the SBC/Ameritech States.

XXV. NRIC Participation

64. To demonstrate and further its commitment to maintaining reliable, state-of-the-art networks, SBC/Ameritech shall continue to participate in the Network Reliability and Interoperability Council ("NRIC"), or a successor organization, if any.

ENSURING COMPLIANCE WITH AND ENFORCEMENT OF THESE CONDITIONS

XXVI. Compliance Program

65. In order to ensure that SBC/Ameritech complies fully and verifiably with all Conditions set forth herein, SBC/Ameritech shall establish a Compliance Program as follows:

a. SBC/Ameritech shall appoint a corporate officer to oversee SBC/Ameritech's implementation of, and compliance with, these Conditions; to monitor SBC/Ameritech's compliance program and progress toward meeting the deadlines specified herein; to provide periodic reports regarding SBC/Ameritech's compliance as required by these Conditions; to ensure that payments due under these Conditions are timely made; and to consult with the Chief of the Common Carrier Bureau, the Chief of the Enforcement Division, and other appropriate individuals as he deems necessary on an ongoing basis regarding SBC/Ameritech's compliance with these Conditions. The corporate compliance officer shall provide copies of all notices SBC/Ameritech provides to the Commission or a state commission to the independent auditor required under Paragraph 66 and shall consult with the independent auditor regarding SBC/Ameritech's progress in meeting the deadlines and milestones specified in these Conditions. The audit committee of SBC/Ameritech's Board of Directors shall oversee the corporate compliance officer's fulfillment of these responsibilities. The requirements of this Subparagraph shall remain in effect until all other Conditions of this Appendix have expired.

b. Not later than 60 days after the Merger Closing Date, SBC/Ameritech shall submit to the Audit Staff for review and comment a plan for compliance with these Conditions. The compliance plan shall be afforded confidential treatment in accordance with the

Commission's normal processes and procedures. A letter providing notice of the filing shall be filed the same day with the Secretary of the Commission for the public record.

c. Following the Merger Closing Date, SBC/Ameritech shall submit to the Audit Staff and file for the public record (except for materials for which confidential treatment is requested) an annual compliance report detailing SBC/Ameritech's compliance with these Conditions during the preceding calendar year. This annual compliance report shall be submitted no later than March 15 (or the first business day thereafter) of the calendar year following the year covered by the report. A report shall be filed for each calendar year in which SBC/Ameritech is subject to obligations under other Sections of these Conditions. The annual compliance report shall address SBC/Ameritech's compliance with these Conditions and the sufficiency of SBC/Ameritech's internal controls for complying, shall include a discussion of the efficiencies realized as a result of the merger, and shall be prepared in a format substantially similar, in relevant respects, to the format of the independent auditor's section of the audit report described in Subparagraph 66f, below.

XXVII. Independent Auditor

66. To provide additional assurance that SBC/Ameritech has complied with all Conditions, SBC/Ameritech shall, at its own expense, annually engage an independent auditor to conduct an examination engagement resulting in a positive opinion (with exceptions noted) regarding SBC/Ameritech's compliance with all these Conditions and the sufficiency of SBC/Ameritech's internal controls designed to ensure compliance with such Conditions, except as noted in Paragraph 67, below. SBC and Ameritech shall jointly engage an independent auditor for this purpose prior to the Merger Closing Date. The engagement shall be supervised by persons licensed to provide public accounting services and shall be conducted in accordance with the relevant standards of the AICPA. The independent auditor shall be acceptable to the Chief of the Common Carrier Bureau and shall not have been instrumental during the past 24 months in designing all or substantially all of the systems and processes under review in the audit, viewed as a whole. An independent auditor's report shall be filed for each calendar year in which SBC/Ameritech is subject to obligations under other Sections of this Appendix, provided that no report shall be due if that report would cover a portion of a calendar year that is less than 60 days. In that event, the period of less than 60 days shall be audited in the report covering the subsequent calendar year, if any. The independent auditor's report (which may consist of multiple reports) shall be prepared and submitted as follows.

a. Not later than 45 days after the Merger Closing Date, the independent auditor shall submit a preliminary audit program, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Audit Staff. The preliminary audit program shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. The independent auditor shall consult with the Audit Staff and SBC/Ameritech regarding changes to the preliminary audit program, but Commission approval shall not be required.

b. During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with

SBC/Ameritech in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The independent auditor shall notify SBC/Ameritech of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

c. The independent auditor shall have access to books, records, and operations of SBC/Ameritech and its affiliates that are under the control of SBC/Ameritech and are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor may notify the Audit Staff if access is not timely provided after notification to the compliance officer.

d. The independent auditor may verify SBC/Ameritech's compliance with these Conditions through contacts with the Commission, state commissions, or SBC/Ameritech's wholesale customers, as appropriate.

e. The independent auditor may consult with SBC/Ameritech's corporate compliance officer concerning matters that arise during the course of the year regarding these Conditions. If necessary after such consultation, the independent auditor may notify the Audit Staff of these matters. No later than September 1 (or the first business day thereafter) of the year following the calendar year covered by the audit, the independent auditor shall submit its final audit report for the preceding year to the Audit Staff. The independent auditor's report shall be made publicly available.

f. The independent auditor's report(s) shall include a discussion of the scope of the work conducted; a statement regarding SBC/Ameritech's compliance or non-compliance with these Conditions; a statement regarding the sufficiency of SBC/Ameritech's internal controls for complying with these Conditions; a statement regarding the accuracy of SBC/Ameritech's annual compliance report for the year covered by the audit; a statement regarding the timeliness and accuracy of the notices provided to the Commission or its staff pursuant to specific notification requirements of these Conditions; a statement regarding the accuracy and completeness of the performance data provided to telecommunications carriers and regulators under these Conditions; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

g. For 24 months following submission of the final audit report, the Commission and state commissions in the SBC/Ameritech States shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor. Copying of the working papers and supporting materials by the Commission shall be allowed but shall be limited to copies required for the Commission to verify compliance with and enforce these Conditions. Any copies made by the Commission shall be returned to SBC/Ameritech by the Commission. The Commission's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures. Prior to obtaining access to the working papers and supporting materials, state commissions shall enter into a protective

agreement with the Chief of the Common Carrier Bureau and SBC/Ameritech under which the state commission's review, including any notes, shall be kept confidential.

h. Not later than 60 days following submission of the final audit report, SBC/Ameritech and the Audit Staff shall meet and confer regarding changes to the detailed audit program for the subsequent year's audit.

67. SBC/Ameritech shall, at its own expense and under the same retention timetable set out in Paragraph 66, annually engage an independent auditor to perform an agreed-upon procedures engagement regarding compliance with the separate Advanced Services affiliate requirements of Section I of these Conditions. The independent auditor shall be acceptable to the Chief of the Common Carrier Bureau and shall not have been instrumental during the preceding 24 months in designing all or substantially all of the systems and processes under review in the audit, viewed as a whole. The independent audit shall be supervised by persons licensed to provide accounting services and shall be conducted in accordance with the relevant standards of the AICPA. For purposes of the engagement required by this Subparagraph, the Commission and SBC/Ameritech shall be the only specified users; the Chief of the Common Carrier Bureau and SBC/Ameritech must both consent to the audit methods and procedures to be used; and the independent auditor must accept those methods and procedures. In the event such mutual consent cannot be obtained, an independent third-party panel of auditors will be selected by SBC/Ameritech and the Chief of the Common Carrier Bureau to arbitrate any dispute. An independent auditor's report shall be filed for each calendar year in which SBC/Ameritech is subject to separate affiliate obligations under Section I, provided that no report shall be due if that report would cover a portion of a calendar year that is less than 60 days. In that event, the period of less than 60 days shall be audited in the report covering the subsequent calendar year, if any. The independent auditor's report shall be prepared and submitted as described in Subparagraphs 66b-h, above, provided that SBC/Ameritech and the Chief of the Common Carrier Bureau, working with the independent auditor selected by SBC/Ameritech, shall make good-faith efforts to determine the procedures to be used in the engagement no later than 90 days after the Merger Closing Date. In determining the procedures to be used, SBC/Ameritech and the Chief of the Common Carrier Bureau shall give due consideration to the procedures established for biennial audits under 47 U.S.C. § 272(d).

XXVIII. Enforcement

68. The specific enforcement mechanisms established by these Conditions do not abrogate, supersede, limit, or otherwise replace the Commission's powers under the Communications Act. Performance or non-performance of these Conditions by SBC/Ameritech does not in itself constitute compliance or non-compliance with any federal, state, or local law or regulation, except SBC/Ameritech's obligation to perform these Conditions. The payments for non-performance specifically required by these Conditions, to which SBC/Ameritech has voluntarily agreed, are payments in the public interest and are not penalties, forfeitures or fines.

69. If the Commission makes a determination that SBC/Ameritech has during the effective period of a Condition failed to comply with that Condition, the Commission may, at its discretion, extend the effective period of that Condition for a period that does not exceed the period during which SBC/Ameritech failed to comply with the Condition. If the failure to

comply that causes the Commission to extend a Condition also has had the effect of denying a person or entity access to a facility or service or the intended benefit required to be provided under another of these Conditions, the Commission may, in its discretion, extend the period during which SBC/Ameritech is required to comply with the other Condition for a period that does not exceed the period during which access to the facility or service or intended benefit was unavailable.

70. SBC/Ameritech shall be strictly obligated to make the payments for non-performance specifically required by these Conditions, and no showing of a willful violation shall be necessary in order to enforce such payments. SBC/Ameritech shall not be liable for any payments, however, if the Commission grants a waiver request filed by SBC/Ameritech in which SBC/Ameritech will have the burden of proof to demonstrate that the failure to meet a condition was caused by a force majeure event or an Act of God.

71. Except as otherwise provided in these Conditions, SBC/Ameritech shall make payments due under these Conditions within 10 business days of a determination by SBC/Ameritech's compliance officer, the Commission, or an arbitrator, that payment is due. If the Commission or a state commission has not taken an action to designate or administer a fund that is required in order for SBC/Ameritech to make a payment required under these Conditions, SBC/Ameritech shall make its payment into an interest bearing escrow account pending such action. If SBC/Ameritech's obligation to make a payment is disputed by SBC/Ameritech, SBC/Ameritech shall make the disputed payment into an interest bearing escrow account within 10 business days of the date the payment was due. Within 10 business days of making a payment of a disputed amount into escrow, SBC/Ameritech shall file with the Commission a verified statement of the grounds on which payment is not required. Subject to rights of rehearing and appeal, the escrowed payments (including any accrued interest) shall be returned to SBC/Ameritech or paid to the appropriate fund in accordance with the final and non-appealable Commission or judicial order resolving the dispute.

72. The Commission may in its discretion, upon a request and showing of SBC/Ameritech, grant extensions of deadlines established by these Conditions.

73. SBC/Ameritech shall not be excused from its obligations under these federal Conditions on the basis that a state commission lacks jurisdiction under state law to perform an act specified or required by these Conditions (e.g., review and approve interconnection agreement amendments, or determine if telecommunications providers violate requirements associated with the promotional discounts).

XXIX. Sunset

74. Except where other termination dates are specifically established herein, all Conditions set out in this Appendix, except for the Conditions requiring SBC/Ameritech to provide Advanced Services through one or more separate affiliates, as set out in Section I, shall cease to be effective and shall no longer bind SBC/Ameritech in any respect 36 months after the Merger Closing Date, unless the Commission orders that a Condition or Conditions be extended for noncompliance reasons in accordance with Paragraph 69 above. The Conditions requiring SBC/Ameritech to provide Advanced Services through one or more separate affiliates, as set out

in Section I, shall cease to be effective and shall no longer bind SBC/Ameritech in any respect after the events and under the terms stated in Paragraph 12 above.

XXX. Effect of Conditions

75. The Commission recognizes that various offerings and initiatives required by these Conditions, including but not limited to the carrier-to-carrier promotions, OSS requirements, and performance monitoring conditions, may substantially duplicate requirements imposed in connection with the merger under state law. These Conditions shall supplement, but shall not be cumulative of, substantially related conditions imposed under state law. Where both these Conditions and conditions imposed in connection with the merger under state law grant parties similar rights against SBC/Ameritech, affected parties shall not have a right to invoke the relevant terms of these Conditions in a given State if they have invoked a substantially related condition imposed on the merger under State law. For example, telecommunications carriers requesting unbundled local loops for residential service under promotional terms offered pursuant to state approval of the merger would not also be able to invoke the promotional discounts on unbundled loops required by these Conditions. Furthermore, any unbundled local loops provided by SBC/Ameritech for residential service under a substantially similar merger-related state commission imposed promotion in a given state would be deducted from the number of unbundled local loops required to be provided in that State under Section XIV of these Conditions. This Section shall not limit the Commission's powers to enforce these Conditions or the reporting requirements of SBC/Ameritech under these Conditions.

76. When considering a request by SBC/Ameritech for in-region, interLATA authority under 47 U.S.C. § 271, the Commission – in view of the public interest benefits inherent in compliance with the requirements of 47 U.S.C. § 271(d)(3) – shall not consider the possible expiration of any of the above Conditions per the terms of this Appendix to be a factor that would render the requested authorization inconsistent with the public interest, convenience, and necessity.